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# Boom Days for Political Risk Consultants

C.I.A. alumni have flocked to the profession.

By PETER H. STONE

**B**ACK in November 1979, armed Iranian students stormed the gates of the United States Embassy in Teheran and took 62 Americans — and America — hostage.

While the human drama grabbed most of the headlines, it quickly became clear that more than political fortunes were dashed in the upheaval. The economic warfare that ensued also dealt a devastating blow to many United States banks and businesses that had billions of dollars invested there.

Since Iran, other crises abroad — from the political turmoil in El Salvador to the economic instability of Brazil — have further shaken the corporate confidence of many American multinationals.

"You can't be complacent about investments anywhere," said Robert O. Anderson, the chief executive officer of the Atlantic Richfield Company. "Mexico is the latest case in point. Two or three years ago it looked like a sure financial success, but now it's just the opposite."

Arco, Mr. Anderson said, "sustained some rather substantial losses in Iran."

Enter the political risk consultant. To help prevent similar losses in other trou-

ble spots, a growing number of businesses — including Arco, Bechtel, Goldman, Sachs and Chase Manhattan Bank — are turning to former American intelligence agents and high-ranking military and Government officials for assistance in planning and assessing risks to business ventures in various parts of the world. It is an arrangement clearly based on the access to foreign leaders and to sensitive — and possibly secret — information these consultants gained in Government service.

Old foreign policy hands like Henry A. Kissinger, the former Secretary of State, and Brent Scowcroft, a retired Air Force general who was Mr. Kissinger's deputy and later his successor as National Security Adviser, hung out their shingle as international business advisers last year.

"We tell clients who the reliable people are in each country," said Mr. Kissinger of his consulting firm, Kissinger Associates, Inc., whose clients include about 20 multinational corporations. "Companies have asked our advice on the Middle East, Europe and Central America."

**W**HILE Mr. Kissinger's recent appointment as the head of a bipartisan commission on United States policies in Central America, he has taken a six-month leave from the firm to avoid the appearance of a conflict of interest. Several of Mr. Kissinger's clients, such as Merck, Chase Manhattan and Arco, have operations and investments in Latin America.

This relatively new and potentially lucrative profession is also crowded with intelligence community alumni. Two former directors of the Central Intelligence Agency, William E. Colby and Richard Helms, are actively involved in the fledgling field. Ray S. Cline, an ex-station chief for the C.I.A. in Taiwan and the agency's former Deputy Director of Intelligence, is now a risk consultant for about six multinational companies.

And a leading British firm, Control Risks, opened a United States office in Bethesda, Md., in 1982 under the direction of Peter Goss, a former Brit-

ish intelligence agent in India and Northern Ireland, and Karl Ackerman, a former Director of Intelligence at the Department of State.

But the involvement of former public officials such as Mr. Kissinger, and veteran agents, such as Mr. Helms and Mr. Colby, has raised questions about conflicts of interest and revolving-door employment in the intelligence business. It is a problem more commonly associated with generals and lawyers who trade on their experience in the military or Government regulatory agencies.

"The growing use of former intelligence officials makes some of us a little nervous," acknowledged Gordon Rayfield, a risk analyst for the General Motors Corporation and past president of the Association of Political Risk Analysts, an industry group he helped form in 1980. "It casts a shadow on the whole field."

Still, demand is booming. "From 1977 to 1980, I probably sent about 20 retiring C.I.A. analysts to political risk consulting firms," said a former ouplacement officer for the C.I.A. "We had operations officers, too, who had backgrounds that were transferable to the private sector."

Although the experience of former C.I.A. agents and the world of risk consulting mesh well, there could be a catch: The C.I.A. requires former employees to abide by a secrecy oath.

Under terms of this agreement, each C.I.A. employee is required to submit for review all written materials which "bear on knowledge obtained while an employee worked at the C.I.A.," said Dale Peterson, press spokesman of the agency. In recent years, the C.I.A. has looked vigorously at books being written by former intelligence agents.

But Mr. Peterson is not aware that any former employee now writing risk reports submitted them for review before presenting them to a private employer. "I don't know how we can monitor this kind of activity," noted Mr. Peterson. Richard Helms said: "That's something for the Agency to decide," when asked whether he was bound by oath to submit reports for prior approval.

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## The Importance of the Caribbean

**T**he subject I wish to talk about is not restricted to my own country, Jamaica, but will embrace a wider sphere, the Caribbean. Although most of you are familiar with the region, it has received little notice over the years in the halls of international influence.

Your familiarity with the Caribbean, of course, is to a large extent based on its beaches and beauty. But to whatever extent these are a source of pride to our people, they are also, ironically, our most serious detractions in that they dramatically overshadow the real problems of the countries in the region. The Caribbean has been treated somewhat like a growing child of whom is expected healthy growth each year and orderly conduct. But its growth is not so healthy nor is its conduct orderly anymore.

Recent events of the past few years have awakened a new interest in the Caribbean previously limited to a survey of its beaches. This interest has led to a closer scrutiny which reveals that the economies of Jamaica, Guyana, and, more recently, Grenada, are in a state of collapse, and that political upheaval and revolution have taken place in Dominica and Grenada, quite apart from the civil war in Nicaragua in neighbouring Central America. The

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events have given warning that the Caribbean may be the next hot spot of the world. In a twisted sense, it could be to the good fortune of the region as the breakdown of order may now serve to focus a genuine interest which could yet penetrate beneath the beauty and the beaches to discover the problems and poverty that are embedded in the real Caribbean.

What is the real Caribbean of which I speak? The area is comprised of thirty-two countries each having a government of its own, dependent or independent. Of these, all but four are island states; Belize, Guyana, French Guyana and Surinam are mainland countries, although Caribbean rather than Latin in character. Two-thirds of the countries are English-speaking states. The rest are Dutch, French, or Spanish speaking. Together they comprise a population of some 32 million people of which Cuba (10 million), Haiti (6 million), the Dominican Republic (6 million), Puerto Rico (3 million), and Jamaica (2.1 million) account for 27 million or 83 percent. The remaining 17 percent is spread among twenty-seven states varying in population from the soon to be independent Turks & Caicos Islands (6,000) to Trinidad & Tobago (1.35 million). It is no overstatement to say that some two-thirds of the number of states in the Caribbean can fit into the King Ranch in Texas!

Thirteen of these states are already independent, and within three years another four will emerge to nationhood with their own international decision-making powers and independent areas of concern. And more are to come. Simple arithmetic tells us that within the next few years the Caribbean will be as large a grouping of sovereign nations as all of Latin America!

This brings out a point of immediate interest. The Caribbean is growing up into a regional power bloc of its own right. But it is also true to say that it is growing up in disorder and confusion and accordingly will wield the power it derives in a confused and disorderly manner unless stability is maintained where it exists and restored where it does not.

This stability is more than a test of political order. It is economic as well. The economic stability of the Caribbean over the past 30 to 40 years has been based on the strategy of the Puerto Rican Model of development, bearing the name of that country which in the 1940s initiated in this area a dynamic development

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## THE CARIBBEAN AREA

<u>Country</u>	<u>Language</u>	<u>Area sq. mls.</u>	<u>Population</u>	<u>Status</u>
BERMUDA	English	21	55,000	
BAHAMAS	English	5,000	200,000	Independent
TURKS & CAICOS	English	112	6,000	Seeking Ind.
CUBA	Spanish	43,533	10,000,000	Independent
CAYMAN	English	100	15,000	
JAMAICA	English	4,411	2,100,000	Independent
D/REPUBLIC	Spanish	5,683	6,000,000	Independent
HAITI	French	10,808	6,000,000	Independent
MONTSEERRAT	English	39	15,000	
BR. V/ISLAND	English	59	12,000	
U.S. V/ISLAND	English	132	130,000	
ANTIGUA	English	171	70,000	Seeking Ind.
ANGUILLA	English	35	7,000	Seeking Ind.
ST. KITTS/ NEVIS	English English	(65 (36	41,000)	Seeking Ind.
PUERTO RICO	Spa./Eng.	3,423	3,000,000	
DOMINICA	English	290	80,000	Independent
MARTINIQUE	French	425	400,000	
GUADELOUPE	French	680	400,000	
ST. LUCIA	English	238	120,000	Independent
ST. VINCENT	English	150	100,000	Independent
GRENADA	English	133	110,000	Independent
BARBADOS	English	166	280,000	Independent
TRINIDAD/TOBAGO	English	1,719	1,350,000	Independent
GUYANA	English	83,000	900,000	Independent
CURACAO	Dutch	266	160,000	
ARUBA	Dutch	71	70,000	
BONAIRE	Dutch	112	9,000	
ST. MARTEEN	Dutch	16	12,000	
ST. MARTEEN	French		12,000	
SURINAM	Dutch	55,143	500,000	Independent
FR. GUYANA	French	34,740	50,000	
BELIZE	English	8,866	250,000	Seeking Ind.
<u>TOTALS</u>	(Approx)	<u>256,643</u>	<u>32,454,000</u>	

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thrust, encouraging heavy external capital flows into small market system economies by offering attractive incentives to production but with effective governmental regulation to protect the national and consumer interest. The inescapable political counterpart to this, of course, is a parliamentary democratic system of government with strong protection for personal and civil rights.

Caribbean countries, to different extents, have pursued the strategy of this model in the development process of the last 30 to 40 years with varying degrees of success. The exceptions have been Cuba, under Castro; Guyana, particularly since the 70s; Haiti, which has never been governed by the parliamentary democratic system but subscribes to the same economic strategy; and, only recently, Grenada, which is pursuing a revolutionary Marxist course. The position on Surinam is at this time unclear. To a lesser extent Jamaica is also an exception, although it is in a transitory stage moving toward the alternative development model which has more recently emerged in the Caribbean, the Cuban Model.

The development strategy of the Cuban Model is based on a centrally planned economy in which the allocation of resources is done by the bureaucracy and/or the political directorate. Since the free market place does not exist in this model, distribution cannot be effected by the forces of supply and demand. Regimentation rather than personal incentive governs production, and compatible with this is the overrule of the Communist model, one-party government from which all regimentation springs. Naturally, personal and civil rights and freedoms are greatly restricted in this model of development. Nevertheless, the Cuban Model has attracted the response and support of some governments in the region and as such must be considered an alternative to the more traditional established Puerto Rican Model.

The emphasis in the development strategy of the Puerto Rican Model is on expansion of the economy with continuously improving economic standards of living. The drawback is an insufficiency of social programs capable of distributing mass benefits. This defect has been the shortcoming of the model often cited in promoting the alternative, the Cuban strategy, which emphasizes mass social programs and planned distribution of economic

product, a strategy which in the longer term results in contraction of the economy and continuous reduction of standards of living leading to shortages and stagnation. But it is also true to say that part of the interest shown in the Cuban Model is due to the preference of power-hungry politicians who prefer and want the permanent power that this model offers them by way of escape from the electoral system.

Economic frustrations and instability are inevitably interlinked with the political system. Of the thirty-two states in the Caribbean all but four are practicing parliamentary democracies—Cuba, Haiti, and, recently, Grenada and Surinam. This constitutes the largest bloc of parliamentary democracies in the world. Not even in Europe does this array of democratic states exist! But the benefits of democratic traditions are not without dangers to ministates, which are naturally vulnerable to external pressure and internal disorder.

The Caribbean today is an arena of expansionist pressures emanating from Cuba. Cuba itself has little influence in the Caribbean. But the Cuban design is to secure this influence by way of back-door promotions through Jamaica and Guyana.

The promotional agents are well chosen. Nearly two-thirds of the Caribbean countries are English speaking including nine of the thirteen independent nations. This bloc is therefore a major prize. To influence this subgroup two of the largest and most influential countries are used to promote the Cuban image and strategy of development—a mission actively pursued over the past five years. The result has been an awakening of interest in Cuba and an infiltration of the political system by Cuban agents in Cuban programs.

What is this infiltration? I make an effort to repeat that it is infiltration and not invasion. To use Jamaica as a particular example, Cubans are involved in training our security forces both in Jamaica and in Cuba. Indeed, it was only in June of this year that we uncovered the involvement of Cuban D.G.I. agents in the training of the Jamaican Special Branch, which is the intelligence unit of the police force. When the head of the D.G.I. unit in Jamaica, Juan Cabonel, was exposed, he promptly left the island, only to be replaced by Carlos Diaz, and the work goes on. It is true by the way, although this is not necessarily in the main-

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stream of what I want to say, that Russian K.G.B. agents are also involved in the training of Jamaican Security Forces and, in particular, the Special Branch Unit. I have named the two key officers of the Russian K.G.B., one of whom left the island soon after being named. Cubans have been involved in arming elements of our security forces. The government recently established what we have condemned and identified as a political militia, very much after the lines of the "People's Militia" in Cuba, comprised of the political supporters of the governing party. They form an adjunct to the regular police force. This unit, known as the Home Guard, has been armed by Cuba. I was able to obtain documentary evidence of this with the serial number of every weapon and the date of delivery to the Jamaican authorities. This has not been contested; indeed, it has been affirmed by the government of Jamaica.

Cubans are training Jamaicans as young Communist brigades. We had long suspected that this was the true basis of an arrangement between the Jamaican government and the Cuban government which sent Jamaican youths to Cuba, ostensibly to be trained in building skills. We had reports from defectors as to the ideological content of the training which they were receiving, but we did not have documentary proof until recently, when we were able to obtain a secret party document which came to our hands and which divulged that the same youths, called Brigadistas, were being trained in communism to form Communist brigades to carry out the work of indoctrination in the Jamaican countryside as well as to form paramilitary brigades. Defectors have further told us of the guerilla-type training received by these paramilitary "Brigadistas," who number nearly 1,500 at present with hundreds more in training in Cuba.

Cubans are supplying scarce consumer goods to the Jamaican government although one must ask oneself the question as to where Cuba itself gets scarce consumer goods. The origin may be internal or external. These are supplied at electoral periods for the Jamaican government to distribute in acts of political bribery as a part of the electoral exercise and campaign.

Cubans are deeply involved in the political affairs of Jamaica. They have become involved in the exchange of delegates to party conferences. They have become involved in the tactical and stra-

tegic support that goes on between the Cuban Communist Party and the People's National Party, the governing party.

The recent appointment of the Cuban ambassador to Jamaica further indicates the design by which infiltration of the Cuban system in the Caribbean region is to take place. The new Cuban ambassador to Jamaica is Snr. Ulises Estrada. He occupied the position of Deputy Chief of the Americas desk of the Cuban Communist Party. The Americas desk is responsible for subversion in the Americas. Snr. Estrada was a member of what was known as the "Palestinian Mafia." He was head D.G.I. officer in Egypt and has served in many similar positions as a high intelligence officer for the Cuban regime. Posting him to Jamaica has not been a demotion. It has simply transferred the Americas desk with its subversive intent from Havana to Kingston. Bear in mind as I said before that two-thirds of the Caribbean are English speaking; it is of far greater convenience and attracts far less notice for persons who have subversive interests to visit Kingston than Havana. Kingston is now to become the subversion capital of the Caribbean as a result of the posting of Estrada.

The Soviet Union itself through the Communist Party of the Soviet Union is giving tactical support to the government party. They signed an agreement between them in April of this year to provide technical assistance in the training of political activists both in Jamaica and in the Soviet Union.

What is the Cuban design about? It is to set up Marxist regimes in place of democratic governments, and to set up Marxist economies in place of market economies. With this objective Cuban expansion in the Caribbean is now growing in strength as an imperialist power.

A parade of warships through the Caribbean is not the answer because we do not perceive a threat of invasion. . . . The threat is through infiltration and interference. And those who value democracy and personal freedoms, initiative and enterprise, had better begin to consider the future of this area, now constituting a new power bloc, which is coming under Cuban and Soviet influence.

It is not that the Caribbean has ever been abandoned by friendly powers, but it has been neglected. In the past it has been neglected both externally and regionally—by Washington, Ottawa,

London, Port of Spain, Caracas, and Port-au-Prince. The problem looms on the horizon. Twenty of the Caribbean islands can fit into the space of the United States. The Cuban system of this size cannot be contained in the Caribbean.

So, we must look for a new Caribbean model of success, because the Caribbean has worked in the past. It is not that country that could not be United States. The rest of the world there is urgent. The part way be currently available. The tariffs and the English expansion to the Caribbean model—the Caribbean now flow from the Caribbean dynamic.

Caribbean sector aid program is principally finance public sector mobilized, in aid flows do economies—public sector standards of living deliberate development would follow the consequences. This calls



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London, Paris, and the Hague; likewise by Mexico City, Bogota, Caracas, and Rio de Janeiro. The tragedy is that the solution that looms is one that begs the question, for so little is needed. Twenty of the thirty-two countries that comprise the Caribbean can fit into the King Ranch in Texas. There are no more than 20 million people involved if we exclude those going the route of the Cuban Model. We cannot be convinced that a Caribbean of this size cannot prosper located as it is offshore the world's richest continent.

So, we must ask ourselves finally, what is needed? The Puerto Rican model has been used with much success but not ultimate success, because we have been following a model which has worked in Puerto Rico as a result of special concessions available to that country by virtue of its political relationship with the United States. These concessions have never been available to the rest of the Caribbean. I would like to suggest, therefore, that there is urgent need for available trade and fiscal concessions part way between what is enjoyed by Puerto Rico and what is currently available to the rest of the Caribbean. Discriminatory tariffs and quotas are the main obstacles to export expansion in the English speaking Caribbean, in particular. Conversely generously liberalized preferences will create a new stage for economic expansion to fulfill the critical shortfall of this development model—the unmet expansion of social programs which could now flow from the more buoyant revenues of a new economic dynamic.

Caribbean economies are so structured that the productive sector is principally a private sector. It follows that while public sector aid programs are essential, particularly because they finance public projects with soft terms that cannot otherwise be mobilized, including the financing of utilities and infrastructure, aid flows do not provide the real dynamic to growth in these economies—bearing in mind the relatively smaller scope of the public sector. To generate growth, employment, and rising standards of living means, in addition to public sector aid flows, a deliberate dynamic stimulation of the productive sector, such as would follow from increased trade and financial concessions and the consequential boost in private sector economic activity.

This calls for planned action, a Caribbean plan, not merely

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expressions of interest and intention, with the principal objective of stimulating the productive sector through trade and investment flows, backed, of course, by public aid programs. It is vital to the region that a master plan be produced if economic stabilization and growth by the market system economic model is to overcome the frustrations that are now directing some interest to the Cuban alternative and sapping the ability of the region to perform. The base is there already. We already have the Caribbean Common Market—CARICOM—and the Caribbean Development Bank. What is needed now is the new stage for take-off flowing from the dynamic stimulant of freer flows of capital and trade.

The choice before us is very simple. It is whether we create new visions of prosperity and stability for Caribbean man, or whether we allow frustration to divert him to the Cuban route. The answer must lie in building hope of a better life, and in the implementation of plans for a better life; a hope that leads each Caribbean man to make his own personal decision in favor of parliamentary rule and a market economy as a better way of life. The commitments of Caribbean men is a greater force than any expansionist armies in our midst, and the best guarantee of protection of the Caribbean tradition of initiative, enterprise, and personal freedom.

It will be a sad, even tragic, reflection on the influence and economic capabilities of North America and other metropolitan interests of this region, if a problem of this magnitude, minuscule by other comparisons, and a solution of even lesser magnitude, dealing with a relevant composite population of free people of no more than 20 million people, cannot be meaningfully dealt with by the industrial might of regional and metropolitan nations. We cannot accept poverty as an inescapable fact of life given the scale of the problem, given the climate for development, given the proven traditions which exist of parliamentary rule, given the desire for a better life. Indeed, if this better life escapes us, it is not only we who have failed; it is the system of the major industrial democratic nations that will also have failed. Who then, we may ask, would blame Caribbean man if he then chose another path?

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